

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 ITC-01 GSA-02 SP-02
USIA-06 AID-05 NSC-05 TRSE-00 SS-15 STR-07 OMB-01
CEA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-01 PA-01
IO-13 /117 R

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FM SECSTATE WASHDC
TO AMEMBASSY LONDON PRIORITY
AMEMBASSY BONN PRIORITY
AMEMBASSY TOKYO PRIORITY
AMEMBASSY OTTAWA PRIORITY

C O N F I D E N T I A L STATE 084660

E.O. 11652:GDS

TAGS: EMIN, ITC

SUBJECT: APRIL MEETING OF THE ITC

1. AN ITC PRICE RANGE INCREASE IS SCHEDULED TO BE REQUESTED BY PRODUCERS AT THE APRIL 10-14 ITC MEETING. DESPITE THE FACT THAT UNDER EXISTING COUNCIL PROCEDURES THE PRICE RANGE QUESTION WAS TO HAVE BEEN CONSIDERED AT THE JULY COUNCIL MEETING, PRODUCERS INSISTED ON PLACING THIS ISSUE ON THE APRIL AGENDA AFTER CONSUMERS SUCCESSFULLY OPPOSED PRODUCERS' REQUESTS FOR PRICE RANGE INCREASES AT THE JANUARY COUNCIL MEETING.

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2. LARGELY AS A RESULT OF PERSISTENT CONFRONTATION IN ITC PRICE DELIBERATIONS, THE US GOVERNMENT HAS BEEN ENGAGED IN AN EXTENSIVE EXAMINATION OF THE ITC PRICE RANGE, THE MARKET IMPACT OF GSA DISPOSALS, PRODUCER COUNTRY TAX AND INVESTMENT POLICIES AND OTHER FACTORS AFFECTING SUPPLY AND DEMAND FOR TIN. THIS REVIEW HAS RECONFIRMED OUR CONCLUSIONS THAT

RESTRICTIVE PRODUCER COUNTRY TAX AND INVESTMENT POLICIES ARE LARGELY RESPONSIBLE FOR THE CONTINUING PRODUCTION DEFICIT, THAT PRODUCERS HAVE NOT PROVIDED A VALID JUSTIFICATION FOR A PRICE RANGE INCREASE, AND THAT SUBSTANTIAL GSA DISPOSALS CAN BE EFFECTED WITHOUT UNDULY DISRUPTING THE MARKET. OUR ANALYSIS OF PRICE ISSUES HAS, HOWEVER, BEEN

COMPLICATED BY UNCERTAINTY OVER CONGRESSIONAL ACTION ON GSA DISPOSALS. ALTHOUGH CONGRESS COULD PASS TIN DISPOSAL LEGISLATION WITHIN THE NEXT FEW MONTHS, IT IS NOT POSSIBLE AT THIS TIME TO DETERMINE WHEN A TIN DISPOSAL WILL BE AUTHORIZED OR THE AMOUNT THAT WILL BE AUTHORIZED. THIS UNCERTAINTY OF GSA SALES COULD HAVE A SIGNIFICANT IMPACT ON THE MARKET IN THE NEAR FUTURE, AND, COMBINED WITH THE UNBALANCED SUPPLY/DEMAND SITUATION, MAKES ANY ASSESSMENT OF PRICE TRENDS DIFFICULT AT THIS TIME.

3. OUR PRINCIPAL CONCERN CONTINUES TO BE THE HIGH LEVEL OF TAXATION AND RESTRICTIVE INVESTMENT POLICIES OF PRODUCING COUNTRIES, AND WE WILL SEEK CONSIDERATION OF CONCRETE STEPS BY ITC MEMBERS TO IMPROVE THE INVESTMENT SITUATION AT THE APRIL MEETING.

4. POSTS SHOULD, DRAWING ON THE ABOVE, ELICIT SUPPORT FROM HOST GOVERNMENTS, ALL OF WHOM OPPOSED THE PRICE INCREASE IN JANUARY, FOR: (A) DEFERRAL OF THE PRICE ISSUE IN APRIL, CONFIDENTIAL

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AND (B) OPPOSITION TO ANY INCREASE IN THE ITC PRICE RANGE SHOULD THE ISSUE ARISE AT APRIL MEETING.

5. DEFERRING CONSIDERATION OF THE ITC PRICE RANGE UNTIL THE NEXT SCHEDULED ITC MEETING IN JULY WOULD PERMIT FULL REVIEW OF RELEVANT INFORMATION ON MARKET TRENDS BY THE ECONOMIC AND PRICE REVIEW PANEL AS PROVIDED FOR IN AGREED ITC PROCEDURES. MOREOVER, WE SHOULD HAVE A CLEARER VIEW OF CONGRESSIONAL INTENT ON GSA DISPOSALS BY THAT TIME.

6. IF THE PRICE RANGE ISSUE IS PRESSED TO A VOTE AT THE APRIL MEETING, THE U.S. WILL VOTE AGAINST AN INCREASE ON THE GROUNDS THAT THERE IS NO ECONOMIC JUSTIFICATION FOR IT. WE SEEK MAJOR CONSUMER SUPPORT IN ORDER TO MAKE THE JANUARY DECISION STICK.

7. WE WILL SEEK CONTINUED DISCUSSION OF WAYS TO INCREASE PRODUCTION LEVELS, INCLUDING CONCRETE STEPS THAT COULD BE TAKEN TO ENHANCE INVESTMENT, MODIFICATION OF TAXES, ITC-SPONSORED INVESTMENT SYMPOSIA, INCREASED TECHNICAL ASSISTANCE, PROVISION OF GOVERNMENT INVESTMENT INSURANCE GUARANTEES, AND FINANCIAL ASSISTANCE FROM IFIS.

8. PRODUCER COUNTRIES HAVE REQUESTED BILATERAL CONSULTATIONS WITH US ON GSA DISPOSALS. WHILE WE DO NOT BELIEVE THIS WOULD BE FRUITFUL AT THE PRESENT TIME, IF DISPOSAL LEGISLATION IS APPROVED PRIOR TO THE JULY MEETING, IT MAY BE USEFUL TO HAVE A WASHINGTON OFFICIAL VISIT PRODUCER CAPITALS. WE WOULD USE THIS OPPORTUNITY TO SEEK SPECIFIC

CHANGES IN PRODUCER COUNTRY INVESTMENT POLICIES AND MEANS TO IMPROVE THE ATMOSPHERE AND OPERATION OF THE ITC.

9. ADDRESSEE POSTS SHOULD REPORT REACTIONS TO OUR POSITION ASAP AND, ASSUMING SUPPORT FOR THIS POSITION, SUGGEST TO HOST GOVERNMENT OFFICIALS THAT PRODUCER CAPITALS BE CONFIDENTIAL

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INFORMED OF THEIR VIEWS PRIOR TO THE APRIL 5-6 PRODUCER MEETING IN JAKARTA. POSTS SHOULD EMPHASIZE THAT IN THE U.S. VIEW, IF PRICES BECOME AN ISSUE AT THE APRIL MEETING, IT WILL BE EXTREMELY IMPORTANT FOR MAJOR CONSUMERS TO ONCE AGAIN DEMONSTRATE THE SERIOUSNESS WITH WHICH THEY VIEW THE PRICE RANGE ISSUE AND THEIR OPPOSITION TO UNWARRANTED PRICE RANGE INCREASES. COOPER

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